

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 3 Contracts
Negotiated Service Agreements

Docket No. MC2016-152

Competitive Product Prices
Global Plus 3 Contracts (MC2016-152)
Negotiated Services Agreement

Docket No. CP2016-196

Public Representative Comments on Request of
The Postal Service to Add Global Plus 3 to the
Competitive Products List

(June 17, 2016)

The Public Representative hereby provides comments pursuant to the Commission's Notice Initiating Dockets.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Request to add Global Plus 3 to the competitive products list.²

The Commission has previously added several other Global Plus products to the competitive products list, including: Global Plus 1C, and Global Plus 2C. See section 2510.6.6 of the Mail Classification Schedule.

In this proceeding, the Postal Service requests the addition of the Global Plus 3 product to the competitive products list, and to include one Global Plus 3 contract within the product. Request at 1. The Postal Service proposes to designate the Global Plus 3 contract as the "baseline" agreement for future functional equivalency analyses. *Id.* at 5.

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, June 13, 2016 (Notice).

² Request of the United States Postal Service to Add Global Plus 3 to the Competitive Products List and Notice of Filing a Global Plus 3 Contract Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, June 10, 2016 (Request).

The Global Plus 3 product differs from other Global Plus products because it allows the contract partner to act as a reseller of PMEI and PMI discounted prices. Request at 5-6. The Postal Service prefers that the contract is approved on July 1, 2016 and be in effect for one year. *Id.* at 5.

COMMENTS

The Public Representative has reviewed the Postal Service's Request and the Statement of Supporting Justification (Attachment 1), the contract, and the Postal Service's proposed revised text of the Mail Classification Schedule (MCS) for Global Plus 3 Contract (Attachment 3). The Public Representative has also reviewed the supporting financial models filed separately under seal for the Global Plus 3 contract that accompanied the Postal Service's Request. Based upon that review, the Public Representative concludes that the Global Plus 3 contract satisfies the criteria of section 3642(b), concerning the classification of new competitive products, and comply with requirements section 3633(a), concerning rates for competitive products. In addition, the Public Representative believes that treatment of the instant contract as the baseline agreement is appropriate.

Product Classification. Under 39 U.S.C. § 3642(b) the criteria governing Commission review are whether the product (1) qualifies as market dominant, (2) is covered by the postal monopoly and therefore precluded from classification as a competitive product, and (3) reflects certain market considerations, including private sector competition, the impact on small businesses, and the views of product users. With respect to the criteria of section 3642(b)(1) and (2), the Postal Service makes reasonable arguments that the instant Global Plus 3 contract, which involves outbound international mail, are neither market dominant nor covered within the postal monopoly. Request at 7-8 and Attachment 1. The Statement of Supporting Justification provides information addressing the additional considerations listed in section 3642(b)(3). In addition, the Commission has previously classified the predecessor Global Plus products as competitive. For these reasons, the Public Representative concludes that

the Global Plus 3 product satisfies the criteria of section 3642(b) for classification as competitive and therefore the product should be added to the competitive products list.

Product Costs. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. The financial model accompanying the Postal Service's Request indicates that the negotiated prices in the Global Plus 3 contract should generate sufficient revenue to cover its costs.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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